

Revised on 2/28/13 to reflect revised University fiscal note and correct funding % for state health insurance plan

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS	See Below	\$500,000	See Below	\$1,000,000
FEDERAL FUNDS	See Below		See Below	
OTHER FUNDS	See Below		See Below	
TOTAL FUNDS	See Below	\$500,000	See Below	\$1,000,000

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 505 requires health insurance plans sold in the state on or after January 1, 2014 to provide coverage for the screening, diagnosis, and treatment of autism spectrum disorder for persons under age 21. Except as noted below, coverage shall not be subject to any limits on the number of visits and not be subject to dollar limits, deductibles, copayments or coinsurance provisions that are less favorable than equivalent provisions applying to a physical illness.

Coverage for behavioral health treatment is subject to a maximum benefit of \$70,000 per year for the first three years of treatment and \$20,000 per year for each year of treatment thereafter until the insured reaches age 21. The Director of Insurance is to adjust the maximum benefit for inflation on an annual basis beginning in January, 2015. Insurers may request a review of the treatment of a person with autism spectrum disorder not more than once every twelve months and shall pay the cost of such review.

LB 505 provides that if benefits pursuant to the bill exceed the essential health benefits required under the federal Patient Protection and Affordable Care Act (ACA) then the benefits which exceed the required essential benefits shall not be required of a health insurance plan offered through the exchange. This clause in the bill means LB 505 will not have a fiscal impact for the state to pay costs for autism services that are in excess of those covered as essential health benefits in policies sold on the insurance exchange.

The bill allows the Director of DOI to grant a small employer with a group health plan a waiver from the provisions if the employer can demonstrate that actual claims in the prior year to comply with the provisions of the bill has increased the cost of the health plan by 2.5% or more.

State Health Insurance Plan: The fiscal note submitted by the Department of Administrative Services indicates there are currently 25 children under age 21 diagnosed with autism on the state health insurance plan. A recent actuarial study by Oliver Wyman estimates a range of costs for programs for autistic children. The low cost scenario is \$40,000 per year, middle cost scenario is \$50,000 per year and high cost scenario is \$62,800 per year. Generally, higher costs are incurred for younger children because they are in programs for more hours per week. The ages of the children in the state plan are not known.

It is unknown what benefits will accrue to the 25 children currently enrolled in the state plan or how many children diagnosed with autism will be enrolled in the plan in the future. Using the actuarial study costs it is assumed the cost for treatment of 25 children in the first three years of the bill will range from \$1 million to \$1,570,000. This is the projected maximum cost. The treatment costs will likely be lower in the initial years the bill is in effect based upon information provided by other states and will be lower if the population served is over age 8. The fiscal impact of the bill will also be lower once the first three years of treatment have been provided to a child, since the cap on benefits decreases from \$70,000 to \$20,000 per child.

The state health insurance plan is self-insured, with 79% of the premium being paid by the state. Assuming the increased treatment costs are reflected in plan premiums, the estimated fiscal impact of the bill could range from \$790,000 to \$1,240,300 for the state. The funding sources for the state health insurance plan are: general funds (32%); cash funds (34%); federal funds (16%); and, revolving funds (18%). Only half of the estimated fiscal impact will be incurred in FY14 due to the effective date of coverage in the bill.

University of Nebraska Health Insurance Plan: The University of Nebraska indicates there were 13 children under age 21 diagnosed with autism on the university plan in calendar year 2012. It is unknown what benefits will accrue to the 13 children currently enrolled in the university plan or how many will be covered in the future. Using the actuarial study costs it is assumed the cost for treatment of 13 children in the first three years of the bill will range from \$520,000 to \$816,400. This is the projected maximum cost. The treatment costs will likely be lower in the initial years the bill is in effect based upon information provided by other states and will be lower if the population served is over age 8. The fiscal impact of the bill will also be lower once the first three years of treatment have been provided to a child, since the cap on benefits decreases from \$70,000 to \$20,000 per child.

The University indicates that 82% of the premium for the health care plan is paid by the University. Assuming the increased treatment costs are reflected in plan premiums, the estimated fiscal impact of the bill will range from \$426,400 to \$669,450 for the University. The funding sources for the University health insurance plan are: general funds (22%); cash funds (17%); federal funds (24%); and, other funds (37%). Only half of the estimated fiscal impact will be incurred in FY14 due to the effective date of coverage in the bill.

University of Nebraska Medical Center: UNMC anticipates an increase in services provided to children with autism pursuant to the bill. The reason for the projected increase in services is because individuals will have insurance coverage for the disorder and there currently is a limited supply of service providers. UNMC projects the addition of 13.0 FTE to provide services and support at an annual cost of \$869,600 in FY2015-16. Estimated expenditures in FY2014-15 will be \$434,800 due to the effective date of the required insurance coverage. It is estimated cash fund revenue of approximately \$1 million will be sufficient to fund the 13 additional staff.

Long-term Savings: The actuarial study previously cited indicates the provision of intensive behavioral health services for children may translate into long-term cost savings to state government in terms of reduced expenditures in the future for special education services and medical services provided to children and adults through Medicaid programs. The fiscal impact of savings for these programs is unknown.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 505	AM:	AGENCY/POLT. SUB: Dept. of Insurance	
REVIEWED BY: Gary Bush		DATE: February 22, 2013	PHONE: 471-4161
COMMENTS: Concur with the Dept. of Insurance's estimate of impact.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 505	AM:	AGENCY/POLT. SUB: Dept. of Administrative Services	
REVIEWED BY: Gary Bush		DATE: February 4, 2013	PHONE: 471-4161
COMMENTS: Concur with agency's estimate. Estimate of impact appears to be reasonable.			

Please complete ALL (5) blanks in the first three lines.

2013

LB⁽¹⁾ 505 REVISED FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ _____ Phone: ⁽⁵⁾ 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>725,000</u>	<u> </u>	<u>725,000</u>	<u> </u>
CASH FUNDS	<u>869,600</u>	<u>1,000,000</u>	<u>869,600</u>	<u>1,000,000</u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>1,594,600</u>	<u>1,000,000</u>	<u>1,594,600</u>	<u>1,000,000</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

There are two aspects to this fiscal note. First, for our health plan it is difficult to provide a specific cost. The range of cost is dependent on the severity of each child's form of autism. Based on our discussions with our Plan administrator we estimate the range to be from \$480,000 to \$970,000.

The second aspect will be the impact of additional insurance funding making these services in higher demand for UNMC. This will be offset for UNMC by the payments for the services provided.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Senior Faculty	<u>1</u>	<u>1</u>	<u>90,000</u>	<u>92,250</u>
Junior Faculty	<u>1</u>	<u>1</u>	<u>65,000</u>	<u>66,625</u>
Techs	<u>10</u>	<u>10</u>	<u>380,000</u>	<u>389,500</u>
Billing/Support	<u>1</u>	<u>1</u>	<u>35,000</u>	<u>35,875</u>
Benefits.....			<u>159,600</u>	<u>163,590</u>
Operating.....			<u>130,000</u>	<u>130,000</u>
Travel.....			<u>10,000</u>	<u>10,000</u>
Capital outlay.....			<u> </u>	<u> </u>
Aid.....			<u> </u>	<u> </u>
Capital improvements.....			<u> </u>	<u> </u>
TOTAL.....	<u>13</u>	<u>13</u>	<u>869,600</u>	<u>887,840</u>

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2013

LB⁽¹⁾ 505 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Nebraska Department of Insurance

Prepared by: (3) Eric Dunning Date Prepared: (4) 2-21-12 Phone: (5) 402-471-4650

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

Under Section 1311(d)(3)(B) of the federal Patient Protection and Affordable Care Act beginning January 1, 2014, if state laws mandate insurers cover benefits on a health insurance exchange that are not included in the final HHS "essential benefits" list, the state will pay any additional costs for those benefits for exchange enrollees. The method by which states "will pay any additional costs" has not yet been determined and will require the finalization of federal regulations and review of anticipated regulatory sub-guidance. However, as the bill specifies that the mandate does not apply to policies sold through an insurance exchange if the benefit exceeds the level of the essential health benefits established by the federal government. Therefore, there is no fiscal impact.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

2013 Legislative Bill Proposal Fiscal Note

Bill #: 505

State Agency: Administrative Services – Wellness and Benefits

Prepared by: Roger Wilson

Date Prepared: 1/29/2013

Phone: 402-471-1638

Estimate of Fiscal Impact – State Agencies

	FY 2013-14		FY 2014-15	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other Funds	\$0		\$1,382,500	
Total Funds	\$0		\$1,382,500	

Explanation of Estimate:

LB505 requires autism spectrum disorders to be covered identical to the medical and pharmacy benefits under a health plan. The bill further specifies a maximum benefit of seventy thousand dollars (\$70,000) per year for the first three (3) years after being diagnosed and twenty thousand dollars (\$20,000) per year up to age twenty-one.

Prescription drugs provided to patients with this condition are currently covered under the State's health plans and will have no additional cost impact.

The State of Nebraska currently has 30 individuals diagnosed with autism. Of this total group, 25 are under the age of twenty-one. We assume that all current children diagnosed with Autism will incur \$70,000 over the first three years and \$20,000 per year until reaching age twenty-one.

The effective date of the proposed coverage required in the bill is effective January 1, 2014. However, the State's plan year is from July, 1, 2013 through June 30, 2014. For the purpose of this fiscal note, we will assume the implementation of this proposed coverage is effective at the beginning of the next plan year after January 1, 2014, or July 1, 2014. Coverage for services provided by the State's health plans cannot change in the middle of a plan year.

The estimated total fiscal impact FY13/14 is zero since it is assumed coverage will not take effect until July 1, 2014. The estimated total fiscal impact for FY14/15 is \$1,750,000 (\$70,000 x 25 = \$1,750,000). LB505 calls for the Director of Insurance to increase the maximum allowed of \$70,000 and \$20,000 per year by the medical care component of the United States Department of Labor, Bureau of Labor Statistics and Consumer Price Index for All Urban Consumers. The State assumes that any inflation impacts to the maximum allowed coverage will take place in FY15/16 and all following plan years.

The State contributes 79% of the premiums for the payment of plan costs. Therefore the impact to the State for the autism coverage required by LB505 is \$1,382,500 (\$1,750,000 x 79% = \$1,382,500).

The table below summarizes the impact by fund type of the estimated additional health premium contributions. The allocation by fund type is based on total FY11/12 operational expenditures.

Funds	FY13/14 Expenditures	FY14/15 Expenditures
General Funds		446,347
Cash Funds		465,837
Federal Funds		222,586
Revolving Funds		247,730
Total Funds	\$0	\$1,382,500

The employees contribute 21% of premiums to cover all health plan costs. Employee projected costs would increase \$367,500 (\$1,750,000 x 21% = \$367,500) in FY14/15.

Major Objects of Expenditure

Personal Services:

Position Title:	Number of Positions			FY 2013-14	FY 2014-15
	13-14	14-15		Expenditures	Expenditures
Benefits					
Operating					\$1,382,500
Travel					
Capital Outlay					
Aid					
Capital Improvements					
TOTAL					\$1,382,500